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Iowa Lottery Report On Operations

To: Members of the House Government Oversight Committee and Senate Government Oversight Committee

From: Dr. Ed Stanek, President and CEO

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The Iowa Lottery reached a significant milestone this spring when its revenues to state programs topped the \$1 billion mark.

In March, an Iowa Lottery player purchased the ticket that helped push lottery profits to the state over the \$1 billion mark since I became the lottery's first employee in 1985.

Lottery revenues in Iowa have been dedicated to different causes through the years. When the lottery started in 1985, lottery proceeds were dedicated to economic development through a fund called the IOWA Plan. In 1991, lottery profits to the state were dedicated to natural resources programs. After one year, lottery revenues were directed into the state general fund. Most lottery revenues have continued to go into the general fund since that time, although 0.5 percent of gross lottery sales are dedicated to the Iowa Gambling Treatment Program.

Some other "landmark" figures for Iowa's lottery:

- Lottery sales in the state have totaled more than \$3.7 billion.
- Iowa Lottery players have won nearly \$2 billion in prizes.
- Lottery tickets are sold at more than 2,600 retail locations in Iowa.

Farmer Wins \$1 Million Top Prize In "Thanks A Million" Promotion!

A western Iowa farmer won the \$1 million top prize in a promotion from the Iowa Lottery to celebrate its 20th anniversary.

Sales of the \$10 "Thanks A Million" instant-scratch game began July 18, 2005, and drawings in the promotion that ran in conjunction with the game culminated with a \$1 million drawing in late January. Players who didn't win a cash prize on their "Thanks A Million" ticket could mail it in for prize drawings.



John and Debbie Straight of Logan

John Straight of Logan was selected as the winner of the \$1 million drawing on Jan. 26 and lottery officials traveled to Logan to surprise Straight and his wife, Debbie, with a check presentation at their local bank. There was a complication however – the Logans were an hour late for the meeting because their cows had gotten out!

When the couple finally arrived, bank officials led them to a conference room where camera crews, lottery officials and family members were hiding for the big announcement. Straight said he planned to use his winnings to buy a combine, pay bills and share with family.

Other winners in “Thanks A Million” drawings were:

- Margaret Venteicher of Corning won \$500 in the drawing on Aug. 4.
- Ken Keene of Stanhope won \$500 in the drawing on Aug. 18.
- Margaret Stripling of Lu Verne won \$1,000 in the drawing on Sept. 1.
- Edwin Hobbs of Bedford won \$1,000 in the drawing on Sept. 15.
- Virginia Miller of Shenandoah won \$2,500 in the drawing on Sept. 29.
- Helga McMicken of Carroll won \$2,500 in the drawing on Oct. 13.
- Robert Winn of Rock Island, Ill., won \$5,000 in the drawing on Oct. 27.
- Jay O'Brien of Atlantic won \$5,000 in the drawing on Nov. 10.
- Raymond Rose of Ottumwa won \$10,000 in the drawing on Dec. 1.
- Rick Johnson of Estherville won \$20,000 in the drawing on Dec. 22.

Powerball® Grows – And Iowa's Biggest Lottery Winner Yet

The New Year began on a high note for a Des Moines man who claimed a \$113.2 million Powerball jackpot on Jan. 3. It was the largest lottery prize ever won in Iowa.

Hugh Hawkins, 44, was accompanied to the Iowa Lottery as he claimed his prize by his wife, Cindy, and their children, Alex, 6, and Katie, 3. Hawkins' oldest son, Colby, 12, was unable to attend the news conference.

Hawkins bought his ticket at Dahl's, 1819 Beaver Ave. in Des Moines, for the Dec. 14 Powerball drawing. The winning numbers that night were: 8-15-16-45-51 and Powerball 11. The Power Play® number was 5. Hawkins' ticket matched all six numbers drawn and became the fifth ticket sold in Iowa to win a Powerball jackpot. Hawkins' ticket was the 87th purchased in Iowa to win a prize of \$1 million or more. He chose to receive his prize in a lump-sum payment of \$54,799,833.72.

Hawkins, who works for Metro Engineers of Omaha, Neb., a commercial real estate development company, said he plans to use his winnings to become debt free, but he also has some philanthropy in mind.

“We will be providing money to the Greater Des Moines Foundation and the Omaha Community Foundation so that non-profit, start-up, and in-need organizations can apply for funding through those channels,” he said.



Hawkins said he waited for a few weeks after his big win to claim the prize so that he could enjoy the holidays with his family, make plans for what he wanted to do with the money and identify charities that he could help. Iowa Lottery players now have won five Powerball jackpots. The four previous jackpot winners are:

- Ed Brown of Washington, who split a \$10.4 million jackpot with a Missouri woman in December 1992.
- Tim Schultz of Des Moines, who won a \$28 million jackpot in February 1999.
- The Larry Hasken family of Sabula, who claimed a \$31.8 million jackpot in January 2000.
- Jacquelyn Moore of Omaha, Neb., who won a \$14.4 million jackpot in October 2004 (she bought her ticket at a convenience store in Carter Lake in western Iowa).

Powerball tickets are sold in Iowa, 28 other states, Washington, D.C., and the U.S. Virgin Islands. The Oklahoma Lottery began selling tickets in the game in January and the North Carolina Education Lottery started selling Powerball tickets in May.

Iowa Great Places



An instant-scratch game released in June highlights the Iowa Great Places initiative and the three communities designated as pilot Great Places through the program.

The lottery has teamed with the Iowa Department of Cultural Affairs to offer the “Iowa Great Places” scratch game. The \$1 game offers a top prize of \$1,846 – signifying the year Iowa gained statehood – and tickets in the game bear images of Sioux City, Coon Rapids and Clinton.

In January, Gov. Tom Vilsack signed agreements with leaders from those three communities, designating them as Iowa’s three pilot Great Places and creating work plans to develop their vision. Cultural Affairs officials oversee the Great Places program, which pairs the resources of state government with local leadership to make community improvements.

Tickets in the Iowa Great Places scratch game go on sale June 26. The Great Places ticket highlighting Sioux City features three different scenes from the community, including the historic Fourth Street market area. The Coon Rapids ticket features scenes of the area’s gorgeous natural attractions. Clinton’s ticket includes an image of the bald eagles that nest in the area along the Mississippi River.

“Great Places” players try to match any of “their numbers” to the “winning number” on each ticket to win the prize shown for that number. A player who finds a state of Iowa symbol automatically wins a prize.

Iowa Lottery and Cultural Affairs leaders will travel to the three communities in June and July, making appearances at local civic meetings and retailer locations to promote the instant-scratch game and spread the word about the Great Places program.

Over the years, the Iowa Lottery has released other instant-scratch games in support of important state initiatives, including:

- The \$1 “Famous Iowans” game that featured on its tickets caricatures of Buffalo Bill Cody, Donna Reed, Dan Gable and others. The game was released in 2000 in support of the State Historical Society.
- The \$1 “Iowa – Come Be Our Guest” game that featured six scenes from destinations in the state including the Amana Colonies and the Bridges of Madison County. The game was released in 2001 in support of the Iowa Division of Tourism.
- The \$1 “Beetle Bailey” game that featured artwork from the long-running comic strip. The game was released in 2002 in support of the Iowa Commission of Veterans Affairs.
- The \$1 “Mammoth Cash” game that was released in March 2004 in support of the Department of Cultural Affairs’ opening of the mammoth exhibit at the State Historical Building.

Monitor Vending Machines (TouchPlay)



With the passage of SF 2330 to ban the operation of TouchPlay machines in Iowa, the Iowa Lottery took steps to ensure that all machines were shut down by the deadline established in the legislation. All machines in the state were disabled by 11:59 p.m. May 3 and the companies that owned the equipment began to remove machines from retail locations.

Several lawsuits were filed over the shutdown of the program, one of which has been appealed in federal court and remains pending.

Twenty companies that were retailer-operators in the TouchPlay program owe the Lottery uncollected revenues from ticket sales. The Lottery collected revenues through electronic funds transfers (EFT) from the companies’ accounts. In the final weeks of the program, the lottery was unable to collect funds from some of those accounts.

The Lottery continued to try to collect revenues through EFT attempts for a few weeks following the TouchPlay shutdown. The Lottery’s last electronic sweep attempt was on May 19.

As of mid-June, 20 companies owed the lottery about \$2.9 million. The Lottery has sent each of those companies a certified letter informing them of the total owed and establishing July 10 as the deadline by which they must pay.

The Lottery remains in consultation with the Iowa Attorney General’s Office about the matter.

Lottery Budget Adjustment

At its meeting June 12, the Board of the Iowa Lottery Authority voted unanimously to adjust the Lottery's FY 2007 budget to reflect three major areas of change:

- the discontinuation of the TouchPlay program. With the end of the program, the estimate of Lottery sales for FY '07 was decreased from a projected total of \$241.5 million to \$212 million.
- salary adjustment. For budgeting purposes, salary projections for lottery personnel are based on rates in existence at the time the lottery budget is prepared, which is from nine months to one year before the beginning of the fiscal year. Under state law, the Lottery may not accept funds from the General Fund and the Board must therefore make budget adjustments out of Lottery revenues to cover salary-adjustment costs. The increased salary costs include cost-of-living adjustments, merit increases and increased health insurance costs. The Board approved the same pay increases for lottery employees as the Legislature approved for all contract and non-contract executive branch employees.
- utility costs. The cost of natural gas has been much higher than expected and projections indicate that the per-unit cost of natural gas will continue to rise until additional supplies can be located and made available.

A copy of the amended FY 2007 budget approved by the Lottery Board is included in this report as Attachment A.

The voting members of the Iowa Lottery Board are: Chairperson Elaine Baxter, a former secretary of state from Burlington; Vice Chairman Tim Clausen, a Sioux City attorney; Mary Junge, an accountant and lawyer from Cedar Rapids; Mike McCoy, an insurance executive from West Des Moines; and Mike Klappholz of Cedar Rapids, the Cedar Rapids chief of police. State Treasurer Michael Fitzgerald is an ex-officio member of the Board.

New Game Highlight: Lucky 7s



Lucky 7s ticket front

In April, the Iowa Lottery released "Lucky 7s," the first product to combine two lottery games in one!

The "Lucky 7s" tickets featured an instant-scratch game on the front and a pull-tab game on the back. The \$5 game proved so popular with players that lottery placed another order for it. The new round of tickets (in blue as opposed to the original game's yellow tickets) began sales in mid-June.

Lucky 7s offers prizes ranging from \$5 to \$50,000.



Lucky 7s ticket back

Promoting Iowa Programs

In addition to the “Iowa Great Places” game, the lottery has continued other work to highlight the state’s success stories, including:



Seat belt safety. During the months of December, May and August, the lottery is running messages on its lotto tickets and customer display units to encourage people to buckle up. The messages are running during times of peak holiday travel, vacation season and just before the start of school.



Eliminating litter. During the months of March, April and July, the lottery is running messages on its lotto tickets and customer display units to encourage lowans to eliminate littering. The messages appeared during the period leading up to Earth Day (April 22) and peak vacation travel season.

On-Going Issues

Fuel Prices: Iowa Lottery executives continue to closely monitor fuel prices to determine their effects on sales and profits.

Gasoline prices around the world have spiked into record territory and home heating and cooling costs also are extremely high.

With fuel prices cutting into consumers’ discretionary income, sales of lottery products and other convenience items likely will be impacted. And the lottery, like other businesses, will face higher delivery costs and see other budget impacts from the higher fuel costs. But while some businesses can adjust the price of their products to pass along higher costs to consumers, that is not a possibility for lotteries, which sell products for firmly established prices such as 25 cents or \$1. An increase in the price of a lottery ticket from \$1 to \$1.05 would be shunned by consumers and have an extremely detrimental effect on sales.

Gambling Decisions: With new casinos under construction in the state, more competition will be created for consumers’ discretionary income, meaning more competition for the Iowa Lottery and other businesses in the entertainment industry. The lottery will continue to monitor the expansion of gambling in Iowa and what impact that expansion could have on lottery income to the state.